

CITY OF ZILWAUKEE
SAGINAW COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF ZILWAUKEE	County SAGINAW
Fiscal Year End JUNE 30, 2007	Opinion Date OCTOBER 26, 2007	Date Audit Report Submitted to State DECEMBER 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) QUAST JANKE AND COMPANY CPA'S PC		Telephone Number 989-892-4549	
Street Address 1010 N JOHNSON		City BAY CITY	State MI
		Zip 48708	
Authorizing CPA Signature		Printed Name DAVID GWIZDALA	License Number 1101019683

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INDEPENDENT AUDITOR'S REPORT

October 26, 2007

To the City Council
The City of Zilwaukee
Saginaw County
Zilwaukee, Michigan

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, and major funds as of and for the year ended June 30, 2007 which collectively comprise the City of Zilwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

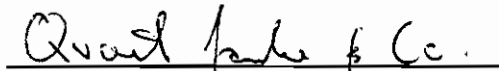
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, the discretely presented component unit and each major fund as of June 30, 2007, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
The City of Milwaukee
October 26, 2007
Page 2

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The individual fund statements and schedules described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUAST, JANKE AND COMPANY

A handwritten signature in cursive script, reading "Quast Janke & Co.", is written over a horizontal line.

Certified Public Accountants, P.C.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

This section of the City of Zilwaukee's annual Financial Report presents Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2007. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Zilwaukee exceeded liabilities at June 30, 2007, by \$5,487,234. Of this amount \$930,157 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$89,871 during the year. Of this amount the assets of our governmental activities increased \$141,199 and the assets of our business-type activities decreased by \$51,328.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statement report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.
- Other Supplementary Information provides detailed information about the General Fund.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities - the Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net assets, which are the difference

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - These activities include the water, sanitary sewer systems and refuse collection. This activity is financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues).

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street and Local Street. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary fund and the business-type activities included in the government-wide statement is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The proprietary funds include the Water Fund, Sewer Fund, and Refuse Fund, which are considered to be the major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2007 and 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$ 991,898	\$ 1,084,394	\$ 531,741	\$ 514,085	\$ 1,523,639	\$ 1,598,479
Capital assts net of accumulated depreciation	<u>1,285,100</u>	<u>1,119,787</u>	<u>2,990,766</u>	<u>3,122,629</u>	<u>4,275,866</u>	<u>4,242,416</u>
Total Assets	2,276,998	2,204,181	3,522,507	3,636,714	5,799,505	5,840,895
LIABILITIES						
Current liabilities	14,757	83,139	115,815	113,036	130,572	196,175
Long-term liabilities	<u>-</u>	<u>-</u>	<u>181,699</u>	<u>247,357</u>	<u>181,699</u>	<u>247,357</u>
Total Liabilities	14,757	83,139	297,514	360,393	312,271	443,532
NET ASSETS						
Invested in capital assets						
Net of related debt	1,285,100	1,085,204	2,743,409	2,387,719	4,028,509	3,472,923
Restricted	528,568	497,704	-	-	528,568	497,704
Unrestricted	<u>448,513</u>	<u>538,134</u>	<u>481,584</u>	<u>888,602</u>	<u>903,157</u>	<u>1,426,736</u>
Total Net Assets	<u>\$2,262,241</u>	<u>\$ 2,121,042</u>	<u>\$3,224,993</u>	<u>\$ 3,276,321</u>	<u>\$5,487,234</u>	<u>\$ 5,397,363</u>

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$930,157.

The following analysis provides the changes in the net assets for the City's governmental and business-type activities:

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUES						
Charges for services	105,954	\$ 115,465	556,578	\$ 551,363	662,432	\$ 666,828
Operating grants & contributions	139,352	141,291	-	-	139,352	141,291
Capital grants & contributions	101,495	-	-	-	101,495	-
GENERAL REVENUES						
Property Taxes	397,014	390,095	48,309	49,783	445,323	439,878
State shared revenue	183,252	186,904	1,768	1,768	185,020	188,672
Unrestricted investment earnings	27,214	9,867	5,250	3,193	32,464	13,060
Miscellaneous	<u>48,930</u>	<u>59,870</u>	<u>-</u>	<u>10,000</u>	<u>48,930</u>	<u>69,870</u>
Total Revenues	1,003,211	903,492	611,805	616,107	1,615,016	1,519,599
PROGRAM EXPENSES						
Community development	98	285	-	-	98	285
General government	233,654	219,667	-	-	233,654	219,667
Public safety	270,181	271,481	-	-	270,181	271,481
Public works	300,351	242,505	-	-	300,351	242,505
Recreation and cultural	57,729	61,660	-	-	57,729	61,660
Water	-	-	255,890	217,716	255,890	217,716
Sewer	-	-	323,195	263,091	323,195	263,091
Refuse	-	-	84,040	82,411	84,040	82,411
Other	-	<u>1,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,958</u>
Total Expenses	<u>862,013</u>	<u>797,556</u>	<u>663,133</u>	<u>563,218</u>	<u>1,525,146</u>	<u>1,360,774</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 141,198</u>	<u>\$ 105,936</u>	<u>\$ (51,328)</u>	<u>\$ 52,889</u>	<u>\$ 89,871</u>	<u>\$ 158,825</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Zilwaukee completed its year, its governmental funds reported a total fund balance of \$977,140, which is less than the \$1,035,837 total fund balance at June 30, 2006.

- The General Fund, the operating fund for the City, ended FY07 with a \$443,124 balance compared to the prior year ending fund balance of \$423,583.
- Major Street Fund Balance decreased by \$38,121.
- Local Street Fund Balance decreased by \$10,733.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water and Sewer Fund, which accounts for the operation and maintenance of the City's water and sewer system, ended FY07 with a \$3,224,993 net asset balance compared to prior year ending net asset balance of \$3,276,321.

- Sewer Fund net assets decreased by \$88,441.
- Water Fund net assets increased by \$24,138.
- Refuse Fund net assets increased by \$12,974.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2007, the City amended the budget four (4) times. The amendments were done to cover unbudgeted expenditures. These amendments were mainly required to cover unplanned expenditures associated with new grants received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$1,285,100 (net of accumulated depreciation) at June 30, 2007. Capital assets for business-type activities totaled \$2,990,766 (net of accumulated depreciation) at June 30, 2007. See the notes to the financial statements for more information about the City's capital assets.

The major capital outlays for the year included the Waukee Doro street and sewer replacement and rehabilitation, including curb and gutter.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Additional Borrowings</u>	<u>Beginning Balances</u>	<u>Principal Payments (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
GOVERNMENT ACTIVITIES						
Installment Purchase						
Contract – Fire Truck	3.1	-	34,583	34,583	-	-
Total Governmental Activity			<u>\$ 34,583</u>	<u>\$ 34,583</u>	<u>\$ -</u>	<u>\$ -</u>
BUSINESS – TYPE ACTIVITIES						
Revenue Bonds						
Saginaw County 1990						
Northwest Utilities						
Authority	5.5 - 8.5	-	100,682	23,325	77,357	25,658
Saginaw County 1991						
Water Supply						
Systems Bonds	6.0 - 10.0	-	205,000	35,000	170,000	40,000
Total Business-Type Activity			<u>\$ 305,682</u>	<u>\$ 58,325</u>	<u>\$ 247,357</u>	<u>\$ 65,658</u>
COMPONENT UNIT						
General Obligation Bond						
Tax Increment Bonds	4.2	-	525,000	75,000	450,000	75,000
Loan Payable - 2001						
Strategic Loan	0.0	-	369,326	36,933	332,393	36,933
Total Component Unit			<u>\$ 894,326</u>	<u>\$ 111,933</u>	<u>\$ 782,393</u>	<u>\$ 111,933</u>

Annual debt service requirements are detailed in the other supporting schedules.

ECONOMIC FACTORS

Our elected officials consider many factors when setting the City's 2007 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy.

The City's Council has tried to spend conservatively. Costs for health care, insurance and utilities continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact Administration at the City of Zilwaukee, 319 Tittabawasee, Saginaw, MI 48604 or call (989) 755-0931.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business -Type Units	Total	
ASSETS:				
Cash	\$ 769,367.30	\$ 350,812.45	\$ 1,120,179.75	\$ 125,978.00
Receivables	143,051.49	149,521.97	292,573.46	9,963.08
Receivable from State	82,029.80	-	82,029.80	-
Internal balances	(20,852.13)	20,852.13	-	-
Due from component unit	9,963.08	-	9,963.08	-
Inventory	-	-	-	199,936.25
Prepaid expenses	8,338.00	10,554.00	18,892.00	-
Capital assets:				
Land	34,461.25	5,204.00	39,665.25	179,961.56
Buildings and improvements	524,162.00	219,423.16	743,585.16	768,152.67
Equipment	131,009.24	35,185.89	166,195.13	33,394.67
Vehicles	657,740.65	-	657,740.65	-
Water and sewer systems	-	4,818,265.00	4,818,265.00	-
Infrastructure	449,802.09	-	449,802.09	-
Accumulated depreciation	(512,075.03)	(2,087,311.82)	(2,599,386.85)	(40,700.91)
Total Assets	2,276,997.74	3,522,506.78	5,799,504.52	1,276,685.32
LIABILITIES:				
Accounts payable	7,739.83	38,012.04	45,751.87	-
Accrued expenses	-	1,983.34	1,983.34	-
Deferred revenue	7,017.37	-	7,017.37	-
Due to primary government	-	-	-	9,963.08
Due to other governmental units	-	10,161.25	10,161.25	-
Notes and bonds payable				
Amount due within one year	-	65,658.00	65,658.00	111,932.60
Amount due more than one year	-	181,699.00	181,699.00	670,460.80
Total Liabilities	14,757.20	297,513.63	312,270.83	792,356.48
NET ASSETS:				
Investment in capital assets net of related debt	1,285,100.20	2,743,409.23	4,028,509.43	608,414.59
Restricted major and local streets	448,849.89	-	448,849.89	-
Restricted for debt service	-	-	-	2,808.54
Restricted for fire equipment	79,716.99	-	79,716.99	(0.00)
Unrestricted	448,573.46	481,583.92	930,157.38	(126,894.29)
Total Net Assets	\$ 2,262,240.54	\$ 3,224,993.15	\$ 5,487,233.69	\$ 484,328.84

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 233,654.39	\$ 84,394.71	\$ 6,081.49	\$ -
Public Safety	270,181.36	11,335.62	806.05	-
Public Works	300,350.61	-	132,464.07	101,495.50
Community and economic development	97.60	-	-	-
Recreation and Cultural	57,728.86	10,223.69	-	-
Total governmental activities	862,012.82	105,954.02	139,351.61	101,495.50
BUSINESS-TYPE ACTIVITIES				
Sewer	323,194.96	233,042.12	-	-
Water	255,897.75	226,821.47	-	-
Refuse	84,040.04	96,614.18	-	-
Total business-type activities	663,132.75	556,477.77	-	-
Total Primary Government	\$ 1,525,145.57	\$ 662,431.79	\$ 139,351.61	\$ 101,495.50
COMPONENT UNIT:				
Tax increment finance authority	75,973.83	-	41,715.79	-
GENERAL PURPOSE REVENUES:				
Property taxes				
Franchise taxes				
State shared revenues				
Rental income				
Unrestricted Investment earnings				
Transfers				
Total General Purpose Revenues and Transfers				
Change in Net Assets				
Net Assets at beginning of year				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
PRIMARY GOVERNMENT			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (143,178.19)	\$ -	\$ (143,178.19)	\$ -
(258,039.69)	-	(258,039.69)	-
(66,391.04)	-	(66,391.04)	-
(97.60)	-	(97.60)	-
(47,505.17)	-	(47,505.17)	-
(515,211.69)	-	(515,211.69)	-
-	(90,152.84)	(90,152.84)	-
-	(29,076.28)	(29,076.28)	-
-	12,574.14	12,574.14	-
-	(106,654.98)	(106,654.98)	-
(515,211.69)	(106,654.98)	(621,866.67)	-
			(34,258.04)
397,013.77	48,309.45	445,323.22	318,674.80
19,130.92	-	19,130.92	-
183,252.07	1,768.07	185,020.14	-
4,800.00	-	4,800.00	-
27,213.54	5,249.90	32,463.44	4,258.32
25,000.00	-	25,000.00	(25,000.00)
656,410.30	55,327.42	711,737.72	297,933.12
141,198.61	(51,327.56)	89,871.05	263,675.08
2,121,041.93	3,276,320.71	5,397,362.64	220,653.76
\$ 2,262,240.54	\$ 3,224,993.15	\$ 5,487,233.69	\$ 484,328.84

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2007

	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNEMENTAL	TOTAL
ASSETS:					
Cash	\$ 280,664.83	\$ 357,744.62	\$ 45,929.46	\$ 85,028.39	\$ 769,367.30
Other receivables	5,331.40	91,495.50	7,017.37	-	103,844.27
Taxes receivable	6,659.06	-	-	378.84	7,037.90
Advance to other funds	32,200.00	-	-	-	32,200.00
Prepaid expenses	8,338.00	-	-	-	8,338.00
Due from other Funds	78,272.39	-	30,205.59	-	108,477.98
Due from State	60,281.00	16,169.05	5,579.75	-	82,029.80
TOTAL ASSETS	\$ 471,746.68	\$ 465,409.17	\$ 88,732.17	\$ 85,407.23	\$ 1,111,295.25
LIABILITIES:					
Accounts payable	\$ 7,739.83	\$ -	\$ -	\$ 0.00	\$ 7,739.83
Deferred revenue	-	-	7,017.37	-	7,017.37
Advance from other funds	-	-	-	-	-
Accrued expenses	-	-	-	-	-
Due to other funds	20,882.81	30,205.59	68,068.49	240.82	119,397.71
TOTAL LIABILITIES	28,622.64	30,205.59	75,085.86	240.82	134,154.91
FUND BALANCES:					
Reserved	-	-	-	-	-
Unreserved, reported in:					
General Fund	443,124.04	-	-	-	443,124.04
Special Revenue Funds	-	435,203.58	13,646.31	85,166.41	534,016.30
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	443,124.04	435,203.58	13,646.31	85,166.41	977,140.34
TOTAL LIABILITIES AND FUND BALANCES	\$ 471,746.68	\$ 465,409.17	\$ 88,732.17	\$ 85,407.23	\$ 1,111,295.25

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
June 30, 2007

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	977,140.34
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Amounts reported for governmental activities in the statement
of net assets are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds
balance sheet:

Capital assets at cost	1,797,175.23
Accumulated depreciation	(512,075.03)

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the governmental funds

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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u><u>2,262,240.54</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES:					
Property taxes	\$ 358,187.73	\$ -	\$ -	\$ 38,826.04	\$ 397,013.77
Licenses and permits	31,875.68	-	-	-	31,875.68
Federal grants	-	91,495.50	-	-	91,495.50
State grants	188,717.61	98,482.77	33,981.30	1,422.00	322,603.68
Contributions from other units	37,153.62	-	10,000.00	-	47,153.62
Charges for Services	24,290.69	-	3,528.17	2,743.00	30,561.86
Fines and Forfeits	3,248.46	-	-	-	3,248.46
Interest and Rentals	37,994.35	12,691.19	580.54	217.53	51,483.61
Other Revenue	2,392.25	-	-	383.00	2,775.25
Total Revenues	683,860.39	202,669.46	48,090.01	43,591.57	978,211.43
EXPENDITURES:					
General Government	162,841.80	-	-	-	162,841.80
Public Safety	165,668.98	-	-	29,780.92	195,449.90
Public Works	140,414.16	20,507.47	97,518.60	-	258,440.23
Community and economic development	97.60	-	-	-	97.60
Cultural and Recreation	40,277.24	-	-	5,883.15	46,160.39
Other	139,656.37	-	-	-	139,656.37
Capital Outlay	12,837.33	196,041.58	10,545.54	4,741.50	224,165.95
Debt service - principal	-	-	-	34,582.90	34,582.90
Debt service - interest	-	-	-	513.29	513.29
Total Expenditures	661,793.48	216,549.05	108,064.14	75,501.76	1,061,908.43
EXCESS OF REVENUES OVER EXPENDITURES	22,066.91	(13,879.59)	(59,974.13)	(31,910.19)	(83,697.00)
OTHER FINANCING SOURCES (USES):					
Transfer from other funds	-	25,000.00	49,241.39	2,525.92	76,767.31
Transfer to other funds	(2,525.92)	(49,241.39)	-	-	(51,767.31)
Total Other Financing Sources (Uses)	(2,525.92)	(24,241.39)	49,241.39	2,525.92	25,000.00
NET CHANGE IN FUND BALANCES	19,540.99	(38,120.98)	(10,732.74)	(29,384.27)	(58,697.00)
FUND BALANCE - July 1, 2006	423,583.05	473,324.56	24,379.05	114,550.68	1,035,837.34
FUND BALANCE - June 30, 2007	\$ 443,124.04	\$ 435,203.58	\$ 13,646.31	\$ 85,166.41	\$ 977,140.34

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(58,697.00)
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Amounts reported for governmental activities in the statement
of activities are different because -

Governmental funds report capital outlays as expenditures
while in the statement of activities, these costs are allocated
over their estimated lives as depreciation expense.

Capital outlay		224,165.95
Less depreciation expense		(58,853.24)

Repayment of debt principal is an expenditure in the governmental
funds, the repayment does not have an effect in the statement
of activities but does reduce the debt balance in the statement
of net assets.

Principal payments on long term debt		34,582.90
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>141,198.61</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

PROPRIETARY FUND
STATEMENT OF NET ASSETS
June 30, 2007

	Business-type Activities			
	Major Enterprise Funds			
	Sewer Fund	Water Fund	Refuse Fund	Total
ASSETS:				
Current Assets:				
Cash	\$ 37,185.73	\$ 233,872.08	\$ 79,754.64	\$ 350,812.45
Accounts receivable	71,941.90	49,094.18	26,485.89	147,521.97
Prepaid expense	-	-	10,554.00	10,554.00
Advance to other funds	-	2,000.00	-	2,000.00
Due from other funds	-	20,852.13	-	20,852.13
Total Current Assets	109,127.63	305,818.39	116,794.53	531,740.55
Noncurrent Assets:				
Capital Assets:				
Land and improvements	3,000.00	2,204.00	-	5,204.00
Buildings and Improvements	206,000.00	13,423.16	-	219,423.16
Equipment	9,887.67	25,298.22	-	35,185.89
Water and sewer systems	1,896,142.50	2,922,122.50	-	4,818,265.00
Accumulated depreciation	(863,405.99)	(1,223,905.83)	-	(2,087,311.82)
Construction in progress	-	-	-	-
Total Noncurrent Assets	1,251,624.18	1,739,142.05	-	2,990,766.23
Total Assets	1,360,751.81	2,044,960.44	116,794.53	3,522,506.78
LIABILITIES:				
Current Liabilities				
Accounts payable	627.93	30,090.30	7,293.81	38,012.04
Due to other governmental units	10,161.25	-	-	10,161.25
Due to other funds	-	-	-	-
Accrued expenses	-	1,983.34	-	1,983.34
Current portion - Revenue bonds payable	25,658.00	40,000.00	-	65,658.00
Total Current Liabilities	36,447.18	72,073.64	7,293.81	115,814.63
Noncurrent Liabilities				
Revenue bonds payable	51,699.00	130,000.00	-	181,699.00
Total Noncurrent Liabilities	51,699.00	130,000.00	-	181,699.00
Total Liabilities	88,146.18	202,073.64	7,293.81	297,513.63
NET ASSETS:				
Invested in capital assets net of related debt	1,174,267.18	1,569,142.05	-	2,743,409.23
Unrestricted	98,338.45	273,744.75	109,500.72	481,583.92
Total Net Assets	\$ 1,272,605.63	\$ 1,842,886.80	\$ 109,500.72	\$ 3,224,993.15

Reconciliation of Government Wide Statement of Net Assets:

Net assets of business-type activities	\$ 3,224,993.15
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2007

	Business-type Activities			
	Major Enterprise Funds			
	Sewer Fund	Water Fund	Refuse Fund	Total
OPERATING REVENUES:				
Charges for Services				
Water charges	\$ -	203,624.71	-	\$ 203,624.71
Sewer charges	233,014.72	-	-	233,014.72
Water hydrant rental	-	15,350.00	-	15,350.00
Refuse charges	-	-	96,614.18	96,614.18
Late payment fees	-	158.66	-	158.66
Miscellaneous	27.40	7,688.10	-	7,715.50
Total Operating Revenues	233,042.12	226,821.47	96,614.18	556,477.77
OPERATING EXPENSES:				
Salaries	34,031.91	29,739.83	-	63,771.74
Fringes and taxes	2,626.86	2,299.02	-	4,925.88
Water - Cost of goods sold	-	110,919.12	-	110,919.12
Sewage treatment	121,582.70	-	-	121,582.70
Contractual Services	7,187.50	5,900.00	83,984.04	97,071.54
Supplies	9,159.17	2,479.04	-	11,638.21
Repairs and Maintenance	48,574.32	1,905.35	-	50,479.67
Utilities	9,367.50	5,492.46	-	14,859.96
Insurance	-	-	-	-
Other	33,913.56	6,469.57	56.00	40,439.13
Depreciation	50,850.44	81,011.27	-	131,861.71
Total Operating Expenses	317,293.96	246,215.66	84,040.04	647,549.66
Operating Income	(84,251.84)	(19,394.19)	12,574.14	(91,071.89)
NONOPERATING REVENUES(EXPENSES)				
Property taxes	-	48,309.45	-	48,309.45
Interest Income	1,712.34	3,137.24	400.32	5,249.90
State shared revenue	-	1,768.07	-	1,768.07
Loss on sale of capital asset	-	-	-	-
Interest Expense	(5,901.00)	(9,682.09)	-	(15,583.09)
Total Nonoperating Expenses	(4,188.66)	43,532.67	400.32	39,744.33
Income before contributions and transfers	(88,440.50)	24,138.48	12,974.46	(51,327.56)
Capital contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Assets	(88,440.50)	24,138.48	12,974.46	(51,327.56)
Net Assets Beginning of Year	1,361,046.13	1,818,748.32	96,526.26	3,276,320.71
Net Assets End of Year	\$ 1,272,605.63	1,842,886.80	109,500.72	3,224,993.15

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	Business-type Activities			
	Major Enterprise Funds			
	Sewer Fund	Water Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 225,352.85	\$ 217,231.82	\$ 91,954.07	\$ 534,538.74
Other operating cash receipts	27.40	7,846.76	-	7,874.16
Cash payments to suppliers for goods and services	(245,018.07)	(119,534.77)	(91,921.39)	(456,474.23)
Cash payments to employees for services	(34,031.91)	(29,739.83)	-	(63,771.74)
Net cash provided (used) by operating activities	(53,669.73)	75,803.98	32.68	22,166.93
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	-	-
Other non operating income	-	50,077.52	-	50,077.52
Net cash provided (used) by noncapital financing activities	-	50,077.52	-	50,077.52
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Principal on County note	-	-	-	-
Interest paid on bonds	(5,901.00)	(9,682.09)	-	(15,583.09)
Principal payments on bonds	(23,325.00)	(35,000.00)	-	(58,325.00)
Contributed capital	-	-	-	-
Net cash provided (used) by capital and related financing activities	(29,226.00)	(44,682.09)	-	(73,908.09)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,712.34	3,137.24	400.32	5,249.90
Net increase (decrease) in cash	(81,183.39)	84,336.65	433.00	3,586.26
Cash beginning of year	118,369.12	149,535.43	79,321.64	347,226.19
Cash end of year	\$ 37,185.73	\$ 233,872.08	\$ 79,754.64	\$ 350,812.45
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Income (loss) from operations	\$ (84,251.84)	\$ (19,394.19)	\$ 12,574.14	\$ (91,071.89)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	50,850.44	81,011.27	-	131,861.71
Amortization	-	-	-	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(7,661.87)	(1,742.89)	(4,663.93)	(14,068.69)
Increase (decrease) in accounts payable	(12,606.46)	19,661.45	(7,877.53)	(822.54)
Increase (decrease) in accrued expenses	-	(3,731.66)	-	(3,731.66)
Net Cash Provided (Used) in Operating Activities	\$ (53,669.73)	\$ 75,803.98	\$ 32.68	\$ 22,166.93

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
COMBINING BALANCE SHEET
TAX INCREMENT FINANCE AUTHORITY
Year Ended June 30, 2007

	<u>Operations</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Assets:				
Cash	\$ 123,169.46	\$ -	\$ 2,808.54	\$ 125,978.00
Inventory - land for sale	199,936.25	-	-	199,936.25
Grant receivable	<u>-</u>	<u>9,963.08</u>	<u>-</u>	<u>9,963.08</u>
Total Assets	\$ <u>323,105.71</u>	\$ <u>9,963.08</u>	\$ <u>2,808.54</u>	\$ <u>335,877.33</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-
Due to other funds	<u>-</u>	<u>9,963.08</u>	<u>-</u>	<u>9,963.08</u>
Total Liabilities	-	9,963.08	-	9,963.08
Fund Balance				
Unreserved	323,105.71	-	-	323,105.71
Reserved for capital projects	-	(0.00)	-	(0.00)
Reserved for debt retirement	<u>-</u>	<u>-</u>	<u>2,808.54</u>	<u>2,808.54</u>
Total fund balances	<u>323,105.71</u>	<u>(0.00)</u>	<u>2,808.54</u>	<u>325,914.25</u>
Total Liabilities and Fund Balance	\$ <u>323,105.71</u>	\$ <u>9,963.08</u>	\$ <u>2,808.54</u>	\$ <u>335,877.33</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
STATEMENT OF REVENUES EXPENSES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

	Operations	Capital Projects	Debt Service	Total
REVENUES:				
Property taxes	\$ 318,674.80	\$ -	\$ -	\$ 318,674.80
Interest and Rentals	4,258.32	-	-	4,258.32
State grant		41,715.79	-	41,715.79
Total Revenues	322,933.12	41,715.79	-	364,648.91
EXPENDITURES:				
Community and Economic Development				
Administrative fees	21,000.00	-	-	21,000.00
Salaries	1,831.03	-	-	1,831.03
Project Activities	10,483.83	-	-	10,483.83
Other Costs	-	-	-	-
Capital Outlay	78,062.83	44,508.40	-	122,571.23
Debt service- principal	-	-	111,932.60	111,932.60
Interest	-	-	22,286.25	22,286.25
Total Expenditures	111,377.69	44,508.40	134,218.85	290,104.94
EXCESS REVENUES OVER EXPENDITURES	211,555.43	(2,792.61)	(134,218.85)	74,543.97
OTHER FINANCING SOURCES (USES)				
Transfer from operations	-	-	136,959.45	136,959.45
Transfer to capital projects	-	-	-	-
Transfer to debt service	(136,959.45)	-	-	(136,959.45)
Transfer to sewer	-	-	-	-
Transfer to major street	(25,000.00)	-	-	(25,000.00)
Total Other Sources (Uses)	(161,959.45)	-	136,959.45	(25,000.00)
Excess (deficiency) of revenues over expenditures and other uses	49,595.98	(2,792.61)	2,740.60	49,543.97
FUND BALANCE - BEGINNING OF YEAR	273,509.73	2,792.61	67.94	276,370.28
FUND BALANCE - END OF YEAR	\$ 323,105.71	\$ (0.00)	\$ 2,808.54	\$ 325,914.25

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The City of Zilwaukee, which is located in Saginaw County, was incorporated January 1964 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government in which the City Administrator is responsible for implementation and administration of City policy as established by the City Council and provides services to its residents in many areas. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B: REPORTING ENTITY:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City hold the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Zilwaukee has one component unit, the Tax Increment Financing Authority, which was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Tax Increment Financing Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The members of the governing board of the Tax Increment Financing Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment Financing Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Financing Authority.

Joint Ventures

The City is involved in a joint venture – the Northwest Utilities Authority. See Note #10, which discusses the City's involvement in this separate entity.

C: BASIS OF PRESENTATION:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of City. The effect of the interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

D: FUND FINANCIAL STATEMENTS:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

Major Government Funds

General Fund -

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Major Street Fund -

Major Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

Local Street Fund -

Local Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

Major Proprietary Funds

Water Fund -

Water Fund is used to account for the provision of water to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Sewer Fund -

Sewer Fund is used to account for the provisions of sewage disposal.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Refuse Fund -

Refuse Fund accounts for the activities of the City's refuse disposal.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expenses for the propriety funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following fund types:

Agency Funds -

Agency Fund is used to account for the assets for other governments in an agency capacity.

E: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for propriety funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and state shared governmental revenues. All other governmental fund revenues are recognized when received.

F: CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. The City defines capital assets as assets with an individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 – 10 years
Vehicles	5 – 25 years
Furniture and other equipment	5 – 25 years
Distribution system	50 years

G: FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H: PROPERTY TAXES:

Properties are assessed as of December 31; the related property taxes are billed on July 1 and become a lien on December 31 of the following year. These taxes are due without penalty during the period from July 1 through September 14 with a final collection date of February 14 before they are added to the county tax rolls. The 2007 taxable valuation of City properties totaled \$41,489,079. The taxes levied and the resulting revenue by fund and component unit was as follows:

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

	Millage Rate	Revenue Net of TIFA Capture
Operating Millage	9.5923	\$ 301,087.29
Fire Equipment Replacement	.9947	31,065.34
Swimming Pool	1.0000	32,242.63
Recreation	.2485	7,760.70
Water Debt	1.5000	<u>49,094.18</u>
Total Revenue	13.33550	<u>\$ 421,250.14</u>
Tax Increment Financing Authority Capture	N/A	<u>\$ 318,674.80</u>

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A: BUDGETARY INFORMATION:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to June 1, the budget is legally enacted by adoption of the City Council.
- The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Any revisions that alter the total expenditure of any fund must be approved by the City Council. The legal level of the control is at the activity level.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- All annual appropriations lapse at fiscal year end.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued):

B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS:

During the year, the City incurred expenditures that were in excess of the amounts budgeted.

Major Street Fund

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Transfer to Local	\$ 23,500	\$ 49,241	\$ 25,741

Fund Deficits - The City had no accumulated fund balance deficits.

C: STATE CONSTRUCTION CODE ACT:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2006		\$ -
Current year building permit revenue		12,592.76
Related expenses		
Direct cost	9,452.40	
Estimated indirect costs	<u>3,140.36</u>	
Total construction code expenses		<u>12,592.76</u>
Cumulative surplus at June 30, 2007		\$ <u>-</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Additional Borrowings</u>	<u>Beginning Balances</u>	<u>Principal Payments (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
GOVERNMENT ACTIVITIES						
Installment Purchase						
Contract – Fire Truck	3.1	-	<u>34,583</u>	<u>34,583</u>	<u>0</u>	<u>0</u>
Total Governmental Activity			<u>\$ 34,583</u>	<u>\$ 34,583</u>	<u>\$ 0</u>	<u>\$ 0</u>
BUSINESS – TYPE ACTIVITIES						
Revenue Bonds						
Saginaw County 1990						
Northwest Utilities						
Authority	5.5 - 8.5	-	<u>100,682</u>	<u>23,325</u>	<u>77,357</u>	<u>25,658</u>
Saginaw County 1991						
Water Supply						
Systems Bonds	6.0 - 10.0	-	<u>205,000</u>	<u>35,000</u>	<u>170,000</u>	<u>40,000</u>
Total Business-Type Activity			<u>\$ 305,682</u>	<u>\$ 58,325</u>	<u>\$ 247,357</u>	<u>\$ 65,658</u>
COMPONENT UNIT						
General Obligation Bond						
Tax Increment Bonds	4.2	-	<u>525,000</u>	<u>75,000</u>	<u>450,000</u>	<u>75,000</u>
Loan Payable - 2001						
Strategic Loan	0.0	-	<u>369,326</u>	<u>36,933</u>	<u>332,393</u>	<u>36,933</u>
Total Component Unit			<u>\$ 894,326</u>	<u>\$ 111,933</u>	<u>\$ 782,393</u>	<u>\$ 111,933</u>

Annual debt service requirements are detailed in the other supporting schedules.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Balance <u>June 30</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 34,461	\$ -	\$ -	\$ 34,461
Construction in progress	243,215	-	(243,215)	-
Capital assets being depreciated				
Buildings and improvements	524,162	-	-	524,162
Furniture and equipment	771,171	17,579	-	788,750
Infrastructure	<u>-</u>	<u>206,588</u>	<u>243,215</u>	<u>449,803</u>
Subtotal	1,295,333	224,167	-	1,762,715
Less accumulated depreciation	<u>(453,222)</u>	<u>(58,853)</u>	<u>-</u>	<u>(512,075)</u>
Net capital assets being depreciated	<u>842,111</u>	<u>165,313</u>	<u>-</u>	<u>1,285,640</u>
Total net capital assets	<u>\$1,119,787</u>	<u>\$ 165,313</u>	<u>\$ -</u>	<u>\$ 1,285,100</u>
Business – Type Activities				
Capital assets not being depreciated				
Land	\$ 5,204	\$ -	\$ -	\$ 5,204
Construction in progress	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	219,423	-	-	219,423
Water and sewer distribution systems	4,818,265	-	-	4,818,265
Furniture and equipment	<u>35,187</u>	<u>-</u>	<u>-</u>	<u>35,187</u>
Subtotal	4,643,648	-	-	4,643,648
Less accumulated depreciation	<u>(1,955,450)</u>	<u>(131,862)</u>	<u>-</u>	<u>(2,087,312)</u>
Net capital assets being depreciated	<u>2,688,198</u>	<u>(131,862)</u>	<u>-</u>	<u>2,688,198</u>
Total net capital assets	<u>\$ 3,122,629</u>	<u>\$ (131,862)</u>	<u>\$ -</u>	<u>\$ 2,990,767</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4. CAPITAL ASSETS (continued):

Capital assets activity for the City's component unit for the year was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Balance <u>June 30</u>
Component Unit				
Capital assets not being depreciated				
Land	\$ 83,065	\$ 96,897	\$ -	\$ 179,962
Construction in progress	197,775	-	(197,775)	-
Capital assets being depreciated				
Buildings and improvements	570,377	-	197,775	768,153
Equipment	7,720	25,675	-	33,395
Less accumulated depreciation	<u>(20,328)</u>	<u>(20,373)</u>	<u>-</u>	<u>(40,701)</u>
Net capital assets being depreciated	<u>557,769</u>	<u>5,302</u>	<u>-</u>	<u>760,847</u>
Total net capital assets	<u>\$ 838,609</u>	<u>\$ 102,199</u>	<u>\$ -</u>	<u>\$ 940,809</u>

Depreciation expense was charged to programs of the primary government and component unit as follows:

Governmental Activities:	
General government	\$ 4,009
Public safety	31,178
Public works	21,867
Recreation and culture	1,799
Total depreciation expense	<u>\$ 58,853</u>
Business-Type Activities:	
Water	\$ 50,851
Sewer	81,011
Total depreciation expense	<u>\$ 131,862</u>
Component Unit:	
TIFA	<u>\$ 20,373</u>

NOTE 5. INTERFUND BALANCES AND TRANSFERS:

The composition of interfund receivable and payable balances at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Street	Major Street	\$ 30,206
General Fund	Recreation Fund	215
Water Fund	General Fund	20,852
General Fund	Tax Fund	31
General Fund	Fire Replacement	26

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	TIFA	9,963
General Fund	Local	<u>68,068</u>
Total		<u>\$ 129,361</u>

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A: LEGAL COMPLIANCE:

Act 217, PA 1982, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loans associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money.

All City deposits were in compliance with state statutes.

B: DEPOSITS:

Deposits are carried at cost. Deposits of the City are maintained at National City Bank and Citizens Bank, federally insured banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the City's cash deposit at June 30, 2007 are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 300,000
Uninsured and Uncollateralized	<u>820,180</u>
Total	<u>\$ 1,120,180</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7. RISK MANAGEMENT:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation. The City manages its liability and property risk by participating in the Michigan Municipal League. This insurance provider is a public entity risk pool providing coverage to its members. The City pays an annual premium to this provider, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS:

The City has a defined contribution pension plan, covering all employees who worked at least 1,000 hours in the previous fiscal year, are between the age of 21 and 64 and are employed with the City for more than six months. The City's pension contributions were \$14,503 for the year. The City's policy is to contribute five (5) percent of the annual salaries of covered employees. The plan provides for employees vesting at 20% per year with full vesting after five (5) years. The City has no post-employment benefit plans at this time other than the defined contribution retirement plan.

NOTE 9. RELATED PARTY TRANSACTIONS:

The City has various transactions with the Northwest Utilities Authority of which the City is a part owner. In this connection:

1. The City's share of the sewage treatment and capital improvements expenses for the year was \$115,809, which is included in the Sanitary Sewer Fund's operating expenses.
2. The City charged the Northwest Utilities Authority for administrative and accounting services of \$19,250 for the year.
3. A separate audit financial statement report has been issued for the Northwest Utilities Authority for the year.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 10. COMMITMENTS AND CONTINGENCIES:

Joint Venture

On August 3, 1987, the City of Zilwaukee and Townships of Carrollton, Saginaw, and Kochville created the Northwest Utilities Authority. The purpose of the Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system in accordance with State Act 233, PA 1955. The Authority consists of a five person governing body – one appointed from each municipality, and one person selected at-large.

On May 18, 1990, Under *Act 185 of the Michigan Public Acts of 1957*, the City of Zilwaukee and Townships of Carrollton, Saginaw, and Kochville and the Northwest Utilities Authority entered into a contract with the County of Saginaw to obtain financing for a joint sewage transmission system.

As a separate unit the Authority operates on a cost reimbursement basis. Costs are prorated monthly among the City and Townships based on metered usage. The City's allocation is approximately 9%.

Each of the Authority's participants has a contingent liability resulting from its secondary full-faith and credit pledge supporting the Saginaw County Bond Issue dated August 1, 1990, in the principal amount of \$3,300,000. This bond issue was subsequently refinanced with the 1997 Sewer Improvement and Refunding Bond Issue dated December 1, 1997.

The annual debt service is allocated to the various participating units. This allocation is based on the aggregate sewage flows from participating units during the three calendar years.

The Northwest Utility Authority is audited separately from the City. The audit report can be obtained from the City of Zilwaukee city manager.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 360,700.00	\$ 360,700.00	\$ 358,187.73	\$ (2,512.27)
Licenses and permits	34,675.00	34,675.00	31,875.68	(2,799.32)
State revenue sharing	228,153.00	228,153.00	188,717.61	(39,435.39)
Contributions from other units	37,770.00	37,770.00	37,153.62	(616.38)
Fines and fees	750.00	750.00	3,248.46	2,498.46
Charges for services	24,525.00	24,525.00	24,290.69	(234.31)
Interest	5,050.00	5,050.00	13,724.28	8,674.28
Rental	26,100.00	26,100.00	24,270.07	(1,829.93)
Other Revenue	7,300.00	7,300.00	2,392.25	(4,907.75)
Total Revenues	725,023.00	725,023.00	683,860.39	(41,162.61)
EXPENDITURES:				
General Government				
Legislative - Council	11,790.00	11,790.00	8,056.16	3,733.84
Administration	46,018.00	46,018.00	43,525.57	2,492.43
Clerk & Election	10,361.00	10,361.00	7,597.20	2,763.80
Assessor	12,935.00	12,935.00	12,438.35	496.65
Attorney	4,500.00	4,500.00	980.00	3,520.00
Board of Review	400.00	400.00	222.40	177.60
Treasurer	61,773.00	61,773.00	47,386.47	14,386.53
Accounting & Auditing	6,000.00	6,000.00	6,000.00	-
City Hall	37,476.00	37,476.00	36,635.65	840.35
Employee Benefits	115,600.00	115,600.00	101,513.59	14,086.41
Other	57,485.00	57,485.00	38,142.78	19,342.22
Public Safety				
Fire	77,495.00	87,659.00	75,011.56	12,647.44
Police	95,800.00	95,800.00	81,205.02	14,594.98
Inspector	12,000.00	12,000.00	9,452.40	2,547.60
Public Works				
Drains	16,200.00	16,200.00	7,897.76	8,302.24
Sidewalks	11,000.00	11,000.00	10,039.48	960.52
Street lighting	21,000.00	21,000.00	20,739.69	260.31
Department of Public works	133,450.00	133,450.00	101,737.23	31,712.77
Community and Economic Development				
Planning and Zoning	2,200.00	2,200.00	97.60	2,102.40
Cultural and Recreation				
Parks & Pool	42,920.00	42,920.00	40,277.24	2,642.76
Capital Outlay	13,500.00	13,500.00	12,837.33	662.67
Total Expenditures	789,903.00	800,067.00	661,793.48	138,273.52
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	-	-	-	-
Transfer to other funds	(3,285.00)	(3,285.00)	(2,525.92)	759.08
Net Other Financing Sources (Uses)	(3,285.00)	(3,285.00)	(2,525.92)	759.08
NET CHANGE IN FUND BALANCE	(68,165.00)	(78,329.00)	19,540.99	97,869.99
FUND BALANCE - BEGINNING OF YEAR	423,583.05	423,583.05	423,583.05	-
FUND BALANCE - END OF YEAR	\$ 355,418.05	\$ 345,254.05	\$ 443,124.04	97,869.99

CITY OF ZILWAUKEE
Saginaw County, Michigan

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
State Grants	\$ 94,000.00	\$ 94,000.00	\$ 98,482.77	\$ 4,482.77
Federal grant	0.00	91,000.00	91,495.50	495.50
Interest and Rentals	3,000.00	3,000.00	12,691.19	9,691.19
Total Revenues	97,000.00	188,000.00	202,669.46	14,669.46
EXPENDITURES:				
Public Works				
Routine maint	4,500.00	5,500.00	5,005.73	494.27
Signals and signs	3,200.00	3,200.00	2,422.07	777.93
Winter maint.	10,500.00	9,500.00	6,811.07	2,688.93
Equipment rental	4,200.00	4,200.00	212.60	3,987.40
Capital Outlay	109,500.00	200,500.00	196,041.58	4,458.42
Other	6,160.00	6,160.00	6,056.00	104.00
Total Expenditures	138,060.00	229,060.00	216,549.05	12,510.95
EXCESS REVENUES OVER EXPENDITURES	(41,060.00)	(41,060.00)	(13,879.59)	27,180.41
OTHER FINANCING SOURCES (USES)				
Transfer from TIFA Fund	0.00	0.00	25,000.00	25,000.00
Transfer to local street	(23,500.00)	(23,500.00)	(49,241.39)	(25,741.39)
Total Other Financing Sources	(23,500.00)	(23,500.00)	(24,241.39)	(741.39)
Excess (deficiency) of revenues over expenditures and other uses	(64,560.00)	(64,560.00)	(38,120.98)	26,439.02
FUND BALANCE - BEGINNING OF YEAR	473,324.56	473,324.56	473,324.56	0.00
FUND BALANCE - END OF YEAR	\$ 408,764.56	\$ 408,764.56	\$ 435,203.58	\$ 26,439.02

CITY OF ZILWAUKEE
Saginaw County, Michigan

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
State Grants	\$ 37,700.00	\$ 37,700.00	\$ 33,981.30	\$ (3,718.70)
Special assessments	0.00	0.00	3,528.17	3,528.17
Other state grant	7,000.00	7,000.00	10,000.00	3,000.00
Interest and Rentals	<u>1,500.00</u>	<u>1,500.00</u>	<u>580.54</u>	<u>(919.46)</u>
Total Revenues	46,200.00	46,200.00	48,090.01	1,890.01
EXPENDITURES:				
Public Works				
Routine maint	74,700.00	74,700.00	82,169.25	7,469.25
Snow removal	4,000.00	4,000.00	5,991.72	1,991.72
Equipment rental	11,700.00	11,700.00	6,290.81	(5,409.19)
Capital Outlay	15,000.00	15,000.00	10,545.54	(4,454.46)
Other	<u>3,100.00</u>	<u>3,100.00</u>	<u>3,066.82</u>	<u>(33.18)</u>
Total Expenditures	<u>108,500.00</u>	<u>108,500.00</u>	<u>108,064.14</u>	<u>(435.86)</u>
EXCESS REVENUES OVER EXPENDITURES	(62,300.00)	(62,300.00)	(59,974.13)	2,325.87
OTHER FINANCING SOURCES (USES)				
Transfer from Major street	<u>23,700.00</u>	<u>23,700.00</u>	<u>49,241.39</u>	<u>25,541.39</u>
Excess (deficiency) of revenues over expenditures and other uses	(38,600.00)	(38,600.00)	(10,732.74)	27,867.26
FUND BALANCE - BEGINNING OF YEAR	<u>24,379.05</u>	<u>24,379.05</u>	<u>24,379.05</u>	<u>0.00</u>
FUND BALANCE - END OF YEAR	\$ <u><u>(14,220.95)</u></u>	\$ <u><u>(14,220.95)</u></u>	\$ <u><u>13,646.31</u></u>	\$ <u><u>27,867.26</u></u>

OTHER ADDITIONAL INFORMATION

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

REVENUES:

Taxes -	
Property tax -operating	\$ 301,087.29
Property tax - pool	32,242.63
Penalties and interest	3,731.31
Administration fees	<u>21,126.50</u>
Total taxes	358,187.73
State and Local Grants -	
State revenue sharing	181,830.07
Metro Act	6,081.49
Police	250.00
Liquor license fees	<u>556.05</u>
Total state and local grants	188,717.61
Contributions from other units-	
Fire protection fees	8,553.62
TIFA - Admin fees	19,250.00
Northwest Utility - Admin fees	<u>9,350.00</u>
Total other unit contributions	37,153.62
Licenses and permits	
Building and inspections	12,592.76
Cable franchise fees	19,130.92
Marriage	2.00
Zoning	<u>150.00</u>
Total licenses and permits	31,875.68
Fines and penalties	3,248.46
Charges for services	
Park rental	620.00
Administrative services	14,400.00
Police/fire reports	39.00
Other charges	11.00
Pool and concessions	9,220.69
Weed Cutting	<u>0.00</u>
Total Charges for Services	24,290.69
Interest and Rentals -	
Interest	13,724.28
Rents	4,800.00
Equipment rental	<u>19,470.07</u>
Total Interest and Rentals	37,994.35
Miscellaneous	2,392.25
Total Revenues	683,860.39
EXPENDITURES	<u>664,319.40</u>
NET CHANGE IN FUND BALANCE	19,540.99
FUND BALANCE - July 1, 2006	<u>423,583.05</u>
FUND BALANCE - June 30, 2007	\$ 443,124.04

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
Year Ended June 30, 2007

EXPENDITURES:

LEGISLATIVE:

Mayor and City Council	
Salaries	\$ 3,170.00
Fringes and taxes	0.00
Newsletter	2,969.16
Membership dues	1,417.00
Supplies and other	500.00
	<hr/>
Total Legislative	8,056.16

GENERAL GOVERNMENT:

City Manager	
Wages	43,232.83
Fringes and taxes	0.00
Legal	0.00
Mileage and other	292.74
	<hr/>
Total Manager	43,525.57

Clerk	
Wages	4,527.28
Supplies and other	492.59
Printing and publication	379.41
	<hr/>
Total Clerk	5,399.28

Accounting-	
Audit	5,500.00
Consulting fees	500.00
	<hr/>
Total Accounting	6,000.00

Assessor-	
Wages	8,700.00
County tax roll service	1,269.40
Printing and other costs	2,468.95
	<hr/>
Total Assessor	12,438.35

Attorney-	
Contracted services	980.00

Elections	
Salaries	1,409.64
Supplies and other costs	788.28
	<hr/>
Total Elections	2,197.92

Board of Review-	
Fees	222.40
Other costs	0.00
	<hr/>
Total board of review	222.40

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2007

EXPENDITURES (CONT.):

GENERAL GOVERNMENT (CONT.):

Treasurer-	
Salaries	\$ 37,436.89
Fringes and taxes	0.00
Office supplies	6,126.48
Meetings	459.00
Supplies and other	<u>3,364.10</u>
Total Treasurer	47,386.47
City Hall and Grounds-	
Contractual services	3,018.70
Miscellaneous	198.45
Supplies	551.01
Office	19.80
Cleaning	2,420.50
Insurance	0.00
Utilities	9,438.12
Repairs and maintenance	16,265.08
Telephone	4,201.99
Other costs	<u>522.00</u>
Total City Hall	<u>36,635.65</u>
Total General Government	162,841.80

PUBLIC SAFETY:

Fire Department-	
Salaries	31,736.24
Hydrant rental	15,350.00
Supplies	1,187.22
Contracted services	132.70
Communications	2,607.23
Insurance	408.00
Education and training	3,187.74
Gas and oil	1,500.89
Utilities	6,978.36
Vehicle maintenance	2,952.40
Volunteer dept	3,284.70
Maintenance and repairs	5,341.02
Other	<u>345.06</u>
Total Fire Department	75,011.56

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2007

EXPENDITURES (CONT.):
PUBLIC SAFETY (CONT.)

Police-	
Salaries	\$ 66,084.33
Fringes and taxes	0.00
Office	129.82
Gas and oil	4,030.43
Dues and memberships	200.00
Supplies	197.13
Uniforms	698.31
Legal	1,209.60
Telephone	294.40
Training	714.25
Contractual services	2,699.00
Vehicle maint.	3,370.98
Capital outlay	0.00
Other	<u>1,576.77</u>
Total Police	81,205.02
Building Inspection Department	
Supplies	
Contracted services	7,705.50
Dues and memberships	1,308.00
Education and training	<u>438.90</u>
Total Building Inspection Department	<u>9,452.40</u>
Total Public Safety	165,668.98

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning-	
Contracted services and supplies	97.60

PUBLIC WORKS

Department of Public Works-	
Salaries	53,614.65
Brush pick up	0.00
Supplies	1,925.38
Uniforms	510.71
Salt	964.70
Gas and oil	6,861.13
Grounds maintenance	6,459.18
Refuse	1,344.77
Telephone	2,984.23
Utilities	8,236.96
Vehicle maintenance	3,038.04
Building maintenance	2,727.17
Other maintenance	12,334.88
Other	<u>735.43</u>
Total DPW	101,737.23

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2007

EXPENDITURES (CONT.):
PUBLIC WORKS (CONT.)

Drains-	
Contracted services and supplies	3,801.33
Repairs and maintenance	<u>4,096.43</u>
Total Drains	7,897.76
Sidewalks	10,039.48
Street lighting	<u>20,739.69</u>
Total Public Works	140,414.16

RECREATION AND CULTURAL:

Parks and Recreation-	
Wages	21,029.73
Fringes and taxes	1,608.76
Utilities	4,927.31
Repairs and maint.	6,339.24
Concessions	1,179.16
Supplies and other	<u>5,193.04</u>
Total Recreation and Cultural	<u>40,277.24</u>

OTHER:

Insurance and bonds	38,142.78
Employee benefits	66,602.47
Employer's share of retirement	14,503.05
Employer's share of FICA	<u>20,408.07</u>
Total Other	139,656.37

CAPITAL OUTLAY:

General government	0.00
Public works	<u>12,837.33</u>
Total Capital Outlay	12,837.33

OTHER FINANCING USES:

Transfer to other funds	<u>2,525.92</u>
Total Expenditures and Other Financing Uses	\$ <u><u>664,319.40</u></u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

		Special Revenue Funds		
		Fire Replacement Fund	Recreation Fund	Total
<u>ASSETS:</u>				
Current Assets:				
Cash and Certificate of Deposit	\$	79,439.49	\$ 5,588.90	\$ 85,028.39
Due from other funds		0.00	0.00	0.00
Taxes receivable		<u>303.14</u>	<u>75.70</u>	<u>378.84</u>
Total Assets		<u>79,742.63</u>	<u>5,664.60</u>	<u>85,407.23</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to general fund		<u>25.64</u>	<u>215.18</u>	<u>240.82</u>
Total Liabilities		25.64	215.18	240.82
<u>FUND BALANCES:</u>				
Reserved for prepaid expenditures		0.00	0.00	0.00
Unreserved special revenue funds		<u>79,716.99</u>	<u>5,449.42</u>	<u>85,166.41</u>
Total Fund Balances		<u>79,716.99</u>	<u>5,449.42</u>	<u>85,166.41</u>
Total Liabilities and Fund Balances	\$	<u>79,742.63</u>	\$ <u>5,664.60</u>	\$ <u>85,407.23</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NONMAJOR GOVERNMENT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

	Special Revenue Funds		Total Nonmajor Government Funds
	Fire Replacement Fund	Recreation Fund	
REVENUES:			
Property taxes	\$ 31,065.34	\$ 7,760.70	\$ 38,826.04
State revenue sharing	1,137.58	284.42	1,422.00
Contributions from other units	0.00		0.00
Charges for services	2,743.00		2,743.00
Interest	177.92	39.61	217.53
Rental	0.00		0.00
Other Revenue	0.00	383.00	383.00
Total Revenues	35,123.84	8,467.73	43,591.57
EXPENDITURES:			
Public safety	29,780.92	0.00	29,780.92
Public works	0.00	0.00	0.00
Community and economic development	0.00	0.00	0.00
Recreation and culture	0.00	5,883.15	5,883.15
Capital outlay	0.00	4,741.50	4,741.50
Debt service:			
Principal	34,582.90	0.00	34,582.90
Interest	513.29	0.00	513.29
Total Expenditures	64,877.11	10,624.65	75,501.76
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	2,525.92	0.00	2,525.92
Transfer to other funds	0.00	0.00	0.00
Net Other Financing Sources (Uses)	2,525.92	0.00	2,525.92
NET CHANGE IN FUND BALANCE	-27,227.35	-2,156.92	-29,384.27
FUND BALANCE - BEGINNING OF YEAR	106,944.34	7,606.34	114,550.68
FUND BALANCE - END OF YEAR	\$ 79,716.99	\$ 5,449.42	\$ 85,166.41

CITY OF ZILWAUKEE
Saginaw County, Michigan

FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
PAYROLL WITHHOLDING FUND				
Assets:				
Cash	\$ 29,292.14	\$ 399,121.15	\$ 396,931.06	\$ 31,482.23
Total Assets	<u>29,292.14</u>	<u>399,121.15</u>	<u>396,931.06</u>	<u>31,482.23</u>
Liabilities:				
Withholding taxes payable	92.14	399,121.15	396,931.06	2,282.23
Advance payable to other funds	<u>29,200.00</u>	<u>0.00</u>	<u>0.00</u>	<u>29,200.00</u>
Total Liabilities	<u>\$ 29,292.14</u>	<u>\$ 399,121.15</u>	<u>\$ 396,931.06</u>	<u>\$ 31,482.23</u>
TAX FUND				
Assets:				
Cash	\$ 5,024.23	\$ 2,027,296.60	\$ 2,027,351.51	\$ 4,969.32
Total Assets	<u>5,024.23</u>	<u>2,027,296.60</u>	<u>2,027,351.51</u>	<u>4,969.32</u>
Liabilities:				
Due to other funds	24.23	391,067.80	391,122.71	-30.68
Due to component unit	0.00	318,674.80	318,674.80	0.00
Advance payable to other funds	<u>5,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>5,000.00</u>
Due to other governmental units	<u>0.00</u>	<u>1,317,554.00</u>	<u>1,317,554.00</u>	<u>0.00</u>
Total Liabilities	<u>\$ 5,024.23</u>	<u>\$ 2,027,296.60</u>	<u>\$ 2,027,351.51</u>	<u>\$ 4,969.32</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash	\$ 34,316.37	2,426,417.75	\$ 2,424,282.57	\$ 36,451.55
Total Assets	<u>34,316.37</u>	<u>2,426,417.75</u>	<u>2,424,282.57</u>	<u>36,451.55</u>
Liabilities:				
Accounts payable and accrued expenses	92.14	399,121.15	396,931.06	2,282.23
Advance payable to other funds	<u>34,200.00</u>	<u>0.00</u>	<u>0.00</u>	<u>34,200.00</u>
Due to other funds	24.23	391,067.80	391,122.71	-30.68
Due to other governmental units	<u>0.00</u>	<u>1,317,554.00</u>	<u>1,317,554.00</u>	<u>0.00</u>
Total Liabilities	<u>\$ 34,316.37</u>	<u>\$ 2,107,742.95</u>	<u>\$ 2,105,607.77</u>	<u>\$ 36,451.55</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

2004 INSTALLMENT PURCHASE CONTRACT PAYABLE
GOVERNMENTAL FUNDS
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Fire Truck Loan
PURPOSE OF ISSUE: Fire Truck Purchase
INTEREST RATE: 3.1%
ORIGINAL ISSUE: 150,000

Loan paid off in 2007

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
TIFA Fund
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: General Obligation Bond
2004 Tax increment Bonds
INTEREST RATE: 4.2%
TOTAL AUTHORIZED ISSUE: 600,000

<u>Fiscal Year</u>	<u>April 1</u>		<u>October 1</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Only</u>	
2007			\$	11,025	\$ 11,025
2008	\$ 75,000	\$ 9,450		9,450	93,900
2009	75,000	7,875		7,875	90,750
2010	75,000	6,300		6,300	87,600
2011	75,000	4,725		4,725	84,450
2012	75,000	3,150		3,150	81,300
2013	75,000	1,575		1,575	78,150
	\$ <u>450,000</u>	\$ <u>33,075</u>	\$ <u>44,100</u>	\$ <u>44,100</u>	\$ <u>527,175</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

1991 WATER SUPPLY SYSTEM BOND
WATER FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Revenue Bonds
PURPOSE OF ISSUE: Water Supply System
INTEREST RATE: 7.05 to 7.2%
ORIGINAL ISSUE: 525,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
9/1/2007	\$ 40,000	\$ 10,760	\$ 50,760
9/1/2008	40,000	7,910	47,910
9/1/2009	45,000	4,860	49,860
9/1/2010	45,000	1,620	46,620
	<u>\$ 170,000</u>	<u>\$ 25,150</u>	<u>\$ 195,150</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

1990 NORTHWEST UTILITIES PROJECT BONDS
SEWER FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Revenue Bonds
PURPOSE OF ISSUE: Sewer System Improvements
INTEREST RATE: 5.5%
ORIGINAL ISSUE: 307,890

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
5/1/2008	\$ 25,658	\$ 4,618	\$ 30,276
5/1/2009	27,990	3,207	31,197
5/1/2010	<u>23,709</u>	<u>1,716</u>	<u>25,425</u>
	\$ <u>77,357</u>	\$ <u>9,541</u>	\$ <u>86,898</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
TIFA FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Strategic Loan -1991 Water Supply System Bond
PURPOSE OF ISSUE:
INTEREST RATE: 0.0%
ORIGINAL ISSUE: 369,326

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
9/1/2007	\$ 9,233.15	\$ -	\$ 9,233.15
12/1/2007	9,233.15	-	9,233.15
3/1/2008	9,233.15	-	9,233.15
6/1/2008	9,233.15	-	9,233.15
9/1/2008	9,233.15	-	9,233.15
12/1/2008	9,233.15	-	9,233.15
3/1/2009	9,233.15	-	9,233.15
6/1/2009	9,233.15	-	9,233.15
9/1/2009	9,233.15	-	9,233.15
12/1/2009	9,233.15	-	9,233.15
3/1/2010	9,233.15	-	9,233.15
6/1/2010	9,233.15	-	9,233.15
9/1/2010	9,233.15	-	9,233.15
12/1/2010	9,233.15	-	9,233.15
3/1/2011	9,233.15	-	9,233.15
6/1/2011	9,233.15	-	9,233.15
9/1/2011	9,233.15	-	9,233.15
12/1/2011	9,233.15	-	9,233.15
3/1/2012	9,233.15	-	9,233.15
6/1/2012	9,233.15	-	9,233.15
9/1/2012	9,233.15	-	9,233.15
12/1/2012	9,233.15	-	9,233.15
3/1/2013	9,233.15	-	9,233.15
6/1/2013	9,233.15	-	9,233.15
9/1/2013	9,233.15	-	9,233.15
12/1/2013	9,233.15	-	9,233.15
3/1/2014	9,233.15	-	9,233.15
6/1/2014	9,233.15	-	9,233.15
9/1/2014	9,233.15	-	9,233.15
12/1/2014	9,233.15	-	9,233.15
3/1/2015	9,233.15	-	9,233.15
6/1/2015	9,233.15	-	9,233.15
9/1/2015	9,233.15	-	9,233.15
12/1/2015	9,233.15	-	9,233.15
3/1/2016	9,233.15	-	9,233.15
6/1/2016	9,233.15	-	9,233.15
	<u>\$ 332,393.40</u>	<u>\$ -</u>	<u>\$ 332,393.40</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT - TIFA
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2007

FUND BALANCES ON BALANCE SHEET	\$ 325,914.25
Amounts reported for governmental activities in the statement of net assets are different because -	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	981,508.90
Accumulated depreciation	(40,700.91)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Notes payable	(782,393.40)
TOTAL NET ASSETS - COMPONENT UNIT	\$ <u>484,328.84</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT - TIFA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

NET CHANGE IN FUND BALANCE	\$	49,543.97
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Amounts reported for governmental activities in the statement
of activities are different because -

Governmental funds report capital outlays as expenditures
while in the statement of activities, these costs are allocated
over their estimated lives as depreciation expense.

Depreciation expense		(20,372.72)
Capital asset purchases capitalized		122,571.23

Repayment of debt principal is an expenditure in the governmental
funds, the repayment does not have an effect in the statement
of activities but does reduce the debt balance in the statement
of net assets.

Principal payments on long term debt		111,932.60
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CHANGE IN NET ASSETS - COMPONENT UNIT ACTIVITIES	\$	<u>263,675.08</u>
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Quast, Janke and Company, P.C.
Certified Public Accountants

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Ned E. Kleinke, C.P.A.
David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

October 26, 2007

Honorable Mayor and Members of City Council
City of Zilwaukee
319 Tittabawassee
Saginaw, MI 48604

We have audited the financial statements of the City of Zilwaukee for the year ended June 30, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the City of Zilwaukee in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry or management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

or management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available for review.

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

PROPERTY TAX DISTRIBUTION

The City collects and distributes funds in the form of property taxes to an array of governmental units. The General Property Tax Act requires local units of government with a state equalized value of more than \$15,000,000 shall within 10 business days after the first and fifteenth day of each month, account for and deliver to the county treasurer and other tax assessing units, the tax collections on hand on the first and fifteenth day of each month. The City was late in distributing collected taxes in the month of July 2006. This comment was made in our findings and recommendations from the audit year ended June 30, 2006. The reason cited by the City for disbursing funds late last year was an update to the City's software caused a delay in generating accurate reports to properly disburse collected taxes. This fiscal year presented a similar problem in that the City's software was not compatible with the County assessing software and there again was a delay in adequately and accurately summarizing tax collection data to disburse to local units. All software issues seem to have been resolved by August 1, 2006 and tax disbursement were made in a timely manner for the remainder of the fiscal year.

TRANSFERS AND DUE TO AND FROM AMOUNTS

For various reasons it is necessary that the City transfers or loans money between one fund to another. We noted several instances in which a transfer or due to/from was incorrectly recorded in the corresponding fund. It is therefore recommended that the documentation of such transactions be maintained and a periodic reconciliation be done to insure that transfers balance between funds and interfund receivables balance to interfund payables.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City of Zilwaukee's financial statements and this communication of these matters does not affect our report on the City's financial statements, dated November 16, 2007.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and Council purposes and should not be used for any other purpose. We would like to express our appreciation for the cooperation extended to us by the City's staff during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,



Quast Janke and Company CPA's
David Gwizdala, Partner